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No. 81-2303

IN THE

Supreme Court of the United States

October Term, 1981

FABERGE, INCORPORATED, a Delaware corporation,
Petitioner,

vs.

CHESEBROUGH-POND'S, INC., a New York corporation,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

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Questions Presented.

The questions presented by petitioner Faberge, Incorporated ("Faberge") are based upon serious misstatements of the record. Set forth below is a restatement by respondent, Chesebrough-Pond's, Inc. ("Chesebrough") of the Questions Presented. Chesebrough's criticisms of Faberge's Questions are incorporated in the argument.

1. Did an actual controversy exist between the parties?

2. Did the Court have subject matter jurisdiction over this action?

3. Did the Court properly grant summary judgment on Chesebrough's claims?

4. Did an actual controversy exist at the time of the Court's summary judgment decision?

Parties to the Proceedings Below.

The captions of the cases contain the names of all parties. Chesebrough has no parent corporation or affiliates and the following are Chesebrough's subsidiaries which are not wholly-owned: International Laboratories, Ltd. and Pond's (India) Limited. In its Petition, Faberge identified the status of the parties in a related Patent and Trademark Office proceeding, but Faberge is not seeking review of any judgment by tribunals of that office.

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

Chesebrough-Pond's, Inc. (hereinafter "Chesebrough") hereby opposes the petition by Faberge, Incorporated (hereinafter "Faberge") that a Writ of Certiorari be issued to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered January 22, 1982.

OPINIONS BELOW.

In its statement of the opinions below, Faberge omitted two unreported, related opinions of the Trademark Trial and Appeal Board dated February 8, 1979 and March 5, 1981. These opinions are reproduced in the Appendix at pages 1 and 11. In its Appendix, Chesebrough has also reproduced two orders of the District Court, the Order Denying Defendant Faberge's Motion to Dismiss for Lack of Jurisdiction and the Order Suspending Injunction Pending Appeal.

JURISDICTION.

Chesebrough accepts Faberge's statement of the Court's jurisdiction.

CONSTITUTIONAL PROVISIONS, STATUTES AND REGULATIONS INVOLVED.

Faberge omitted the following pertinent statutes and regulations:

United States Code, Title 28,
Chapter 85 — District Court; Jurisdiction

"Section 1338. Patents, Plant Variety Protection, Copyrights, Trademarks and Unfair Competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.

United States Code, Title 15,
Chapter 22 — Trademarks
Subchapter III — General Provisions

"Section 1114(1). Remedies; Infringement

(1) Any person who shall, without the consent of the registrant —

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;

or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

"Section 1119. Power of Court Over Registration

In any action involving a registered mark the Court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the Court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

"Section 1120. Civil Liability for False or Fraudulent Registration

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil

action by any person injured thereby for any damages sustained in consequence thereof.

Code of Federal Regulations, Title 37

"Section 2.117. Suspension of Proceedings

Whenever it shall come to the attention of the Trademark Trial and Appeal Board that parties to a pending case are engaged in a civil action which may be dispositive of the case, proceedings before the Board may be suspended until termination of the civil action.

COUNTERSTATEMENT OF THE CASE.

This case involves ordinary commercial litigation, namely a trademark dispute between Chesebrough and Faberge, who are intense competitors in the field of cosmetics and toiletries. In 1974, Chesebrough decided to enter the new and rapidly expanding market of men's cosmetics, commenced development of the products and selected the trademark MATCH for the line. In January, 1975, Chesebrough made its first limited sales of MATCH cosmetics and filed an application for registration in the United States Patent and Trademark Office ("PTO"). Shortly thereafter and independently, Faberge acquired the trademark MACHO from a small Los Angeles company for its own line of men's cosmetics. Faberge introduced its MACHO line on a national level before Chesebrough was able to launch the national marketing of the MATCH line.

Registration of MATCH was approved by the PTO over MACHO, but Faberge sent a letter to Chesebrough stating that the marks were confusingly similar and threatening to file opposition if Chesebrough did not withdraw its mark. Chesebrough refused to do so and Faberge proceeded to file an Opposition in the PTO which was still pending in only the discovery stage over two years later. Chesebrough had initially hoped that Faberge would either drop its Opposition or that the Opposition would be decided promptly in Chese-

brough's favor. In 1978, Chesebrough decided that it could not hold up its national marketing of the MATCH line any longer and filed a declaratory judgment action in the United States District Court in order to obtain a prompt and final determination of its rights to use MATCH.

In the Petition [pp. 5-7] an attempt is made to provide this Court with a history of the proceedings below. However, the statement in the Petition is so replete with omissions and misstatements of salient facts that further preliminary comment by Chesebrough is necessary. In brief summary, Faberge's Statement of the Case:

1. Fails to to correctly disclose the District Court's disposition of Faberge's initial and only Motion to Dismiss;

2. Erroneously states that it responded to Chesebrough's Motion for Summary Judgment by raising an objection to jurisdiction;

3. Erroneously suggests that it filed a new Motion to Dismiss at the time of Summary Judgment and that such Motion was bypassed;

4. Fails to disclose that its alleged second Motion to Dismiss was only a Motion to Transfer and that the District Court properly denied and did not "bypass" same; and

5. Erroneously suggests that the District Court enjoined it from proceeding with the opposition in the PTO, when, in fact, the District Court suspended that injunctior pending appeal (App. p. 9).

In responding to the Complaint, Faberge moved to dismiss for lack of an actual controversy. The Motion was denied with the Court finding that an actual controversy did exist; however, the Court stayed the action pending the outcome of the PTO Opposition proceeding. Chesebrough moved for reconsideration, pointing out that the PTO had already stayed the Opposition in deference to the Court

action and that the weight of authority was that the Court action should proceed since its decision would be binding on the PTO. The Court granted Chesebrough's motion and lifted the stay (App. p. 6). Faberge answered and counterclaimed, explicitly charging Chesebrough with trademark infringement and unfair competition. Chesebrough then moved for summary judgment, which the District Court granted in all respects, finding MATCH and MACHO not to be confusingly similar. Faberge *did not oppose* summary judgment on the basis of any objection to jurisdiction; nor did Faberge renew its Motion to Dismiss which had long since been denied. Instead, Faberge filed a Motion to Transfer Venue which was denied by the District Court (Pet. App. p. 21). Next, Faberge appealed, and while its appeal was pending, moved for a stay of the injunction portion of the judgment. The Court granted the stay (App. p. 9) and Faberge moved the PTO to reopen the Opposition proceeding. The Board again declined to do so (App. p. 13). On appeal, the Ninth Circuit affirmed the summary judgment on the merits and found that an actual controversy did exist between Faberge and Chesebrough. Faberge has now petitioned this Court for a review of the Ninth Circuit's decision.

Chesebrough's appeal to the Court of Customs and Patent Appeals ("CCPA") and the CCPA's decision cited by Faberge are totally irrelevant to this Petition, which relates only to Chesebrough's declaratory judgment claims regarding the likelihood of confusion between MATCH and MACHO. The CCPA decision concerned only Chesebrough's Opposition counterclaim to cancel the MACHO registration on various grounds of invalidity. Chesebrough itself voluntarily dismissed the corresponding cancellation claims in this action when the Court granted its summary judgment motion (Pet. App. p. 21). The CCPA's decision

has no bearing on the questions of actual controversy and the likelihood of confusion between MATCH and MACHO.

This case raises no unsettled questions of federal law. It simply involves traditional trademark law applied to an ordinary trademark dispute between commercial competitors.

REASONS RELIED ON FOR DENIAL OF THE WRIT.

The judgment affirmed by the Ninth Circuit Court of Appeals is not in conflict with the decisions of any other federal court of appeals. The Court reached a well-reasoned result by applying traditional trademark law and did not depart from the accepted and usual course of judicial proceedings. There is no need for this Court to review the decision.

I.

There Is No Conflict Between the Circuits on the Actual Controversy Issue.

The only real basis for this Petition is an alleged conflict between the Circuits respecting the determination of when an actual controversy exists. A close examination of the decision below, prior Ninth Circuit decisions and the purportedly conflicting decisions in other circuits will show that there is no conflict.

Before discussing this issue, it is necessary to briefly comment on Faberge's version of the question which is set forth below:

> "Does a threat by a trademark owner to file a statutory Opposition in the Patent and Trademark Office opposing registration of a trademark, which Opposition is based upon alleged confusing similarity of the parties' (applicant and opposer) respective marks, in the absence of any other facts, create an actual controversy between the parties (applicant and opposer) justiciable by a Federal Court under the Declaratory Judgment Act?"

Faberge's statement of question no. 1 is highly misleading because there definitely were "other facts" and the controversy did not arise merely from Faberge's threat to file an

Opposition proceeding. The Court of Appeals found that an actual controversy existed between the parties where (1) Faberge had written a letter to Chesebrough asserting that *MATCH was confusingly similar to MACHO* (the statutory test for trademark infringement, 15 U.S.C. Section 1114(a)) and threatened to file an Opposition proceeding against the MATCH trademark, (2) Faberge proceeded to file an Opposition and to pursue it with unusual vigor, (3) Faberge filed a counterclaim for infringement in this action and (4) the parties were engaged in intense competition in the expanding market for men's toiletries and Chesebrough was in the untenable position of having to either drop the marketing of its MATCH men's cosmetic line or proceed with the national marketing, invest millions of dollars and thereby risk an infringement action by Faberge seeking an injunction and substantial damages. *Chesebrough-Pond's, Inc. v. Faberge, Incorporated*, 666 F.2d 393, 396-97 (9th Cir. 1982).

The Court concluded that an actual controversy existed since Chesebrough had a *reasonable apprehension* of an infringement suit by Faberge. The "reasonable apprehension" standard is the same test used by the Ninth Circuit in its prior decision in *Societe de Conditionnement v. Hunter Engineering Co.*, 655 F.2d 938 (9th Cir. 1981), a patent declaratory judgment action.

Faberge contends there is a conflict between the Ninth Circuit and the Seventh Circuit because the latter held in 1951 in *Merrick v. Sharp & Dohme*, 185 F.2d 713, 716-17 (7th Cir. 1951) that the mere filing of a Notice of Opposition did not create an actual controversy respecting infringement. However, in this case, the Court did not find an actual controversy based upon the mere filing of a Notice of Opposition. The Court found that the actual controversy arose from the four factors noted, which represent considerably

more than the mere filing of a Notice of Opposition. Although the District Court primarily relied upon Faberge's letter, the Court of Appeals relied upon all four facts which are in the record. Thus, the Court's decision here is readily distinguishable on its facts and is not in conflict with *Merrick* or any of the cases in other Circuits which have followed *Merrick*. Moreover, in its opinion, the Ninth Circuit stated, in dictum, that even under the "reasonable apprehension" test for an actual controversy, "a simple opposition proceeding in the Patent and Trademark Office generally will not raise a real and reasonable apprehension of suit." 666 F.2d at 396.

The conclusion that there is no conflict with the Seventh Circuit in particular is further supported by the recent decision in *Super Products Corp. v. D P Way Corp.*, 546 F.2d 748, 753 (7th Cir. 1976), a patent declaratory judgment action, where the Court used the "reasonable apprehension" standard to determine whether an actual controversy existed. Thus, both the Ninth Circuit and the Seventh Circuit have used this legal standard to determine whether an actual controversy exists in actions relating to patent and trademark infringement.

The "reasonable apprehension" standard is also used in such actions by the Eighth and First Circuits and by District Courts in the Third Circuit. *See Sherwood Medical Industries, Inc. v. Deknatel, Inc.*, 512 F.2d 724, 727 (8th Cir. 1975); *Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc.*, 439 F.2d 871, 874 (1st Cir. 1971); *Japan Gas Lighter Association v. Ronson Corp.*, 257 F.Supp. 219, 237 (D.N.J. 1966); *Ethicon, Inc. v. American Cyanamid Company*, 369 F.Supp. 934, 937 (D.N.J. 1973); and *Enka B. V. of Arnhem, Holland v. E. I. DuPont, etc.*, 519 F.Supp. 356, 361 (D. Del. 1981).

This standard has also been recently used in District Court decisions in the Second Circuit, thus casting substantial doubt on the viability of the *Merrick* rule in that Circuit. *Tubeco, Inc. v. Crippen Pipe Fabrication Corporation*, 402 F.Supp. 838, 844 (E.D.N.Y. 1975), *aff'd mem.* 538 F.2d 314 (2nd Cir. 1976); *Nippon Electric Glass Co., Ltd. v. Sheldon*, 489 F.Supp. 119, 122 (S.D.N.Y. 1980); *Superior Steel Door & Trim Co., Inc. v. Banner Metals*, 479 F.Supp. 704, 709 (E.D.N.Y. 1979); and *American Cyanamid Co. v. Ethicon, Inc.*, 443 F.Supp. 46, 48 (S.D.N.Y. 1977).

A conflict could only exist if the Ninth Circuit squarely held that the mere filing of a Notice of Opposition created an actual controversy respecting infringement. This the Court did not do and the Court's dictum suggests it would not. Even if it did, it is doubtful that a conflict would exist since it is questionable whether the other Circuits would now follow the *Merrick* analysis in view of the recent application of the "reasonable apprehension" test by various Courts in those Circuits and by the Seventh Circuit in *Super Products Corp., supra*. It is pure speculation whether these Circuits, in applying the test, would still find that a Notice of Opposition did not cause a declaratory plaintiff to reasonably apprehend a trademark infringement suit.

The Court in this case reached a well-reasoned result on the actual controversy issue and since there is no actual conflict between the Circuits, there is no need for the Court to exercise its discretion by granting Faberge's petition. The actual controversy issue also is not of great moment to society or to the Courts. The most that Faberge can say as to its importance is to speculate that the result here may cause the Courts to be burdened with numerous trademark declaratory judgment actions. This is a policy issue for the Congress, not this Court, to decide. The Court cannot alter

the constitutional and statutory "actual controversy" requirement as an expedient to reduce the case load in the federal courts, as Faberge suggests. Moreover, as the Court of Appeals noted in its opinion, it has discretion to entertain declaratory judgment cases, and can exercise such discretion to avoid being overwhelmed by such actions. *Chesebrough-Pond's, Inc. v. Faberge, Incorporated*, 666 F.2d 393, 396 (9th Cir. 1982).

II.

There Is No Question as to the Court's Jurisdiction and There Was No Preemption of the Trademark Trial and Appeal Board.

Faberge alleges in its Petition that Chesebrough's declaratory judgment action merely transplanted the Trademark Office Opposition Proceeding to the District Court, thereby preempting the Trademark Office's jurisdiction. This is not the case and Faberge's statement of this question set forth below is highly misleading because the Court's jurisdiction was not based on "the pendency of an Opposition proceeding" in the Patent and Trademark Office:

"May a United States District Court premise its subject matter jurisdiction solely on the pendency of an Opposition proceeding in the Patent and Trademark Office between a trademark owner and an applicant to register a mark, and thereafter grant Summary Judgment which, inter alia, enjoins such trademark owner from pursuing that Opposition proceeding or appealing a decision therein to the Court of Customs and Patent Appeals?"

Chesebrough's action sought a judicial determination that its use of the trademark MATCH did not constitute infringement, unfair competition, a false designation of origin or trademark dilution. Chesebrough also asserted a claim for fraudulent registration of MACHO. The Court clearly

had jurisdiction over these claims pursuant to 28 U.S.C. Sections 1338 and 2201. Even before the Court had denied Faberge's Motion to Dismiss for lack of jurisdiction, the Trademark Trial and Appeal Board suspended the Opposition in deference to this action (App. p. 1). In so doing, the Board recognized that there had been no preemption of its jurisdiction:

> "The instant case, however, is not one where a party is seeking a declaratory judgment with respect to an application for trademark registration. Rather, the applicant is seeking damages for fraudulent registration of opposer's trademark, for cancellation of that mark and for a declaratory judgment that there is no trademark infringement, unfair competition and dilution under both federal and state law.
>
> * * * *
>
> "While we have no dispute with the proposition of law recited by opposer, we believe that this and other cases are simply not apposite. That is, this is not a case where there is primary jurisdiction in the Office or where administrative remedies must be exhausted before review. Rather, a party is free to pursue any action in Federal Court under the Lanham Act while at the same time seeking to register or to block registration in the Office. To the extent that the proceedings are overlapping or to the extent that the civil case may finally resolve the matters before the Board, the Board exercises its discretion under Rule 2.117."

(App. pp. 2-3).

This is not a case where Chesebrough sought a determination of its right to *register* a mark, which is the issue in an opposition proceeding. Chesebrough's claims relative to trademark infringement, unfair competition, etc., are totally beyond the province of the Trademark Trial and Appeal

Board. *Mister Donut of America, Inc. v. Mister Steak, Inc.*, 150 USPQ 714, 714-715 (TTAB 1966).

That there was no preemption is also indicated by the Board's practice of regularly suspending opposition proceedings when there is pending a related civil action involving common issues. 37 C.F.R. Section 2.117. *Tokaido v. Honda Associates, Inc.*, 179 USPQ 861 (TTAB 1963). This Rule is grounded on the fact that a court decision on common issues is binding on Trademark Office tribunals. *Tuvache, Inc. v. Emilio Pucci Perfumes International*, 263 F.Supp. 104 (S.D.N.Y. 1967).

As previously mentioned, in this case the Trademark Board did suspend the Opposition proceedings in deference to this action. The Trademark Board hardly took the position that the Court had preempted its jurisdiction. Thus, when the Court subsequently rendered summary judgment, it properly enjoined Faberge from further pursuing the Opposition proceeding, as its decision was binding on the common and basic issue of likelihood of confusion involved in the Opposition. The Court had decided there was no likelihood of confusion between MATCH and MACHO and the Trademark Board was obliged to follow the Court's determination of that issue. There was no reason whatsoever to permit Faberge to pursue the Opposition.

Faberge has conveniently neglected to advise the Court that even after the District Court had granted a summary judgment in favor of Chesebrough, the Court, on motion by Faberge, stayed execution of the judgment to allow Faberge to try once more to convince the Board to proceed with the Opposition. A copy of the Court's order is annexed in the Appendix, page 9. Faberge promptly moved the Board to reopen the Opposition, but the Board again properly refused to do so because this action was still under appeal and was not finally disposed of. A copy of the Board's

second decision dated March 5, 1981, is also annexed in the Appendix, page 11. Faberge is in no position to assert that there was a preemption of the Board's jurisdiction which requires intervention by this Court. There is no need for this Court to restore jurisdiction to the Trademark Board as there never was a preemption, except in Faberge's distorted view of the case.

III.

The Court's Summary Judgment Decision Was Entirely Proper and There Is No Conflict With Any Other Circuit.

Faberge argues that in granting summary judgment, the District Court failed to consider the various material facts that Courts generally consider in trademark infringement cases. This argument, which is totally false, is implicit in Faberge's statement of this question set forth below:

"May a District Court, (assuming arguendo it has jurisdiction of the subject matter and parties) without consideration of any evidence or stipulation of facts, grant summary judgment on non-infringement as a matter of law in a trademark matter premised solely on the Court's inferences drawn from comparison of the printed marks of the respective parties?"

It is difficult to conceive how Faberge can argue that the District Court and the Court of Appeals did not consider the facts material to the action when they are explicitly set forth in both the District Court's findings (Pet. App. pp. 15-19) and in the opinion of the Court of Appeals. *Chesebrough-Pond's, Inc. v. Faberge, Incorporated*, 666 F.2d 393, 397-399 (9th Cir. 1982). Both Courts clearly considered all of the material facts, but found no genuine issue as to any of them.

These facts are commonly referred to as the "Restatement test" for trademark infringement as they are set forth in the Second Restatement of Torts, Section 731 (1938). Courts almost universally apply the Restatement test, or slight modifications thereof, in determining the question of likelihood of confusion and, thus, trademark infringement and unfair competition. The Restatement test, which enumerates the various material facts to be considered in infringement cases, is followed by the Ninth Circuit. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-349 (9th Cir. 1979). This test was dutifully followed by both the District Court and the Court of Appeals. Both Courts considered the various material facts, namely, the similarity of the goods, the marketing channels, Chesebrough's intent in adopting the MATCH trademark, the degree of care of purchasers, the absence of actual confusion, etc. Both Courts specifically considered all of these factors, in addition to the most important factor, the substantial dissimilarity of the marks in sound, sight and appearance. Both Courts correctly determined that there was no genuine issue of material fact and concluded that there was no likelihood of confusion between MATCH and MACHO and, thus, no infringement. The summary judgment was entirely proper and there is no reason why this Court should review the decision.

Faberge erroneously urges that there is somehow a conflict between the decision in this case and a decision by the Second Circuit, namely, *American International Group, Inc. v. London American International Corporation, Ltd.*, 664 F.2d 348 (2nd Cir. 1982). In *American International*, the Second Circuit, also applying the Restatement test, found that there were genuine issues of material fact and reversed a summary judgment that had been granted in favor of the defendant. The Court found that the District Court had effectively decided genuine issues of fact based upon

the parties' affidavits, rather than deny the motion for summary judgment, as it should have. Here there were no genuine issues of fact and summary judgment was proper. We see no legal or factual conflict of any kind between this decision and *American International* and Faberge's claim that a conflict exists is totally spurious. Faberge is, in effect, arguing that a conflict exists because the Second Circuit happened to reverse a summary judgment in a trademark case whereas the Ninth Circuit affirmed the summary judgment here. If that is Faberge's argument, we direct its attention to *B & L Sales Associates v. H. Daroff & Sons, Inc.*, 421 F.2d 352 (2nd Cir. 1970), where the Second Circuit affirmed summary judgment in a case where the dissimilarity of the marks themselves was also the predominant factor.

Faberge also belatedly contends that the Court should have denied summary judgment because of a genuine issue of fact as to the existence of an actual controversy. As we have noted, the Court of Appeals properly found that an actual controversy did exist in view of all of the facts of record, and Faberge did not urge this as a defense to summary judgment either before the District Court or before the Court of Appeals.

IV.

There Was an Actual Controversy at the Time of the Court's Decision.

Faberge argues that at the time of the District Court decision in January, 1980, Chesebrough had abandoned its rights to the MATCH trademark. Therefore, Faberge concludes, there was no actual controversy and no jurisdiction. Chesebrough's response to this fallacious argument is twofold. First, the alleged abandonment of MATCH is irrele-

vant to the existence of an actual controversy. Second, the record clearly shows that there was no abandonment.

Chesebrough's declaratory judgment claims were not predicated upon ownership of the MATCH trademark. The claims were merely a defensive action and intended to establish that MATCH was not an infringement of MACHO and Chesebrough was free to use the mark without interference from Faberge. Chesebrough did not request a determination of its ownership of MATCH as against the world. Chesebrough did not institute an infringement action against Faberge claiming ownership of MATCH. The action resulted from Chesebrough's reasonable apprehension that it would be sued for infringement by Faberge for its continued use of MATCH.

The test for existence of an actual controversy at the time of the District Court's decision is whether Chesebrough then had a reasonable apprehension of suit by Faberge. The record shows that between the time of filing of Chesebrough's declaratory judgment action and the time of the Court's decision Faberge did nothing to alleviate Chesebrough's reasonable apprehension of suit. In fact, during that period, Faberge proceeded to do just what Chesebrough had expected, namely, sue Chesebrough by filing counterclaims for trademark infringement and unfair competition. Faberge also did not withdraw its Opposition in the Trademark Office. Faberge's counterclaims surely preclude it from asserting that there was no controversy at the time of the hearing. Even if Chesebrough had abandoned MATCH in view of the controversy with Faberge, there was still an actual controversy as to whether (1) Chesebrough's past use of MATCH was an infringement and (2) Chesebrough should be enjoined against future use of MATCH.

Secondly, the record shows that there was no abandonment by Chesebrough of its MATCH trademark. Even after

Faberge first expressed its objection to MATCH, Chesebrough continued to make substantial investments in the mark in terms of packaging and advertising development. Over $650,000 was expended for such development work and in conducting in-house product reaction tests in over eighteen cities. This is hardly consistent with abandonment of a trademark. Abandonment requires nonuse of a mark coupled with an intent to abandon. McCarthy, TRADEMARKS AND UNFAIR COMPETITION, Volume 1, Section 17:2; *Tillamook County Creamery Association v. Tillamook Cheese & Dairy Association*, 345 F.2d 158 (9th Cir. 1965). Chesebrough would not have continued spending thousands of dollars in connection with the mark if it intended to abandon it. More importantly, it has repeatedly been held that suspension of use of a trademark, pending a determination of legal rights, does not constitute abandonment. *Izod, Ltd. v. Liberty Hosiery Mills, Inc.*, 147 USPQ 332 (TTAB 1965); *Mendex v. New England Duplicating Co.*, 94 F.Supp. 558, 561 (D. Mass. 1950), *aff'd.* 190 F.2d 415 (1st Cir. 1951); *Penthouse International, Inc. v. Dyn Electronics, Inc.*, 196 USPQ 251, 257 (TTAB 1977).

CONCLUSION.

In its Questions Presented and in the Statement of the Case, Faberge has grossly misstated the record and the history of these proceedings. Chesebrough has attempted to remedy this in its response. Chesebrough has shown that the primary basis of this Petition, the purported conflict between the Ninth Circuit's decision here and the Seventh Circuit's *Merrick* decision, is illusory, as the cases are readily distinguishable on their facts. It also appears that the Seventh Circuit is now using the same "reasonable apprehension" test for an actual controversy as is used by the Ninth Circuit and several other Circuits in cases of this type.

The Court's Summary Judgment decision was entirely proper as the Court correctly considered the Restatement test factors concerning infringement and found no genuine issues of material fact. The Court did not preempt the jurisdiction of the Trademark Trial and Appeal Board. The latter tribunal itself twice rejected Faberge's attempts to lift the suspension of the Opposition proceeding in view of the pendency of this action. There is no need for this Court to assume jurisdiction to remedy a usurpation of Trademark Office jurisdiction by the Courts below.

Finally, the Court of Appeals correctly found no merit whatsoever in Faberge's belated contention that an actual controversy did not exist at the time of the Court's decision. We see no reason for this Court to review what is a well-reasoned, proper result in an ordinary trademark action which involves no issues of special importance to the Courts or to society in general.

Respectfully submitted,

HARRIS, KERN, WALLEN & TINSLEY,
By WALTON EUGENE TINSLEY,
Attorneys for Respondent,
Chesebrough-Pond's, Inc.

APPENDIX.

Decision of the Trademark Trial and Appeal Board Dated February 8, 1979.

[Letterhead]

Opposition No. 57,551. Faberge, Incorporated v. Chesebrough-Pond's Inc.

Mailed: February 8, 1979.

On November 30, 1978, the Board granted opposer's motion for summary judgment and dismissed applicant's counterclaim to cancel opposer's pleaded registration.[1] The Board allowed opposer until December 20, 1978 in which to file objections to applicant's motion for suspension under Rule 2.117. Opposer has now filed a brief in opposition to that motion.

In applicant's motion for suspension, applicant requests that the Board suspend this opposition proceeding pending the outcome of a civil action in the United States District Court for the Central District of California filed October 18, 1978. Applicant argues that the outcome of the civil suit may be dispositive of the issues involved in this opposition proceeding. Applicant has furnished a copy of the complaint, in counts three, four and five of which applicant, as plaintiff, seeks a declaratory judgment that there is no trademark infringement, unfair competition or dilution as a result of use by applicant of the mark "MATCH" vis-a-vis any rights which opposer may have in the term "MACHO". Other counts of the complaint raise issues which were presented in applicant's counterclaim that was dismissed by the Board on November 30, 1978. The complaint seeks cancellation of the registration pleaded by opposer in this

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[1]It is noted that on January 26, 1978, applicant filed a notice of appeal from this decision to the U.S. Court of Customs and Patent Appeals.

opposition proceeding on various grounds, including that the registration was obtained fraudulently.

In opposition to the motion, opposer maintains that this proceeding should not be suspended because, among other things, "the courts of the United States have no jurisdiction of an opposition proceeding". In addition, opposer's view of the California action is that subject matter jurisdiction is lacking, venue is wrong and the allegations are groundless. Opposer has indicated that it has filed a motion to dismiss on the ground of lack of subject matter jurisdiction.

Opposer has cited Merrick et al v. Sharp & Dohme, Inc, 185 F.2d 713 (7th cir. 1950), in support of its position that federal courts have no jurisdiction of an opposition proceeding.

That case involved plaintiffs' action for declaratory judgment with respect to their application for registration of a trademark which had been opposed in the Office by the defendant. In holding that there was no justiciable controversy between the parties and therefore no right in the plaintiffs to maintain a declaratory judgment action, the court stated:

> "The opposition proceeding before the Patent Office is of an administrative nature. It is held in the interest of the public with the Patent Office as the public's representative . . .
>
> Congress has confided the registration of the trademarks to the Patent Office of the United States. The courts of the United States have no jurisdiction over registration proceedings except that appellate jurisdiction given them by the Trade-Mark Act."

The instant case, however, is not one where a party is seeking a declaratory judgment with respect to an application for trademark registration. Rather, the applicant is seeking damages for fraudulent registration of opposer's

trademark, for cancellation of that mark and for a declaratory judgment that there is no trademark infringement, unfair competition and dilution under both federal and state law.[2]

Opposer has also cited Public Service Commission of Utah et al v. Wycoff Company, Inc, 344 US 237 (1952). There, the Supreme Court stated at 246-247:

> ". . . . the declaratory judgment procedure will not be used to preempt and prejudge issues that are committed for initial decision to an administrative body or special tribunal any more than it will be used as a substitute for statutory methods of review. . . . Responsibility for effective functioning of the administrative process cannot be thus transferred from the bodies in which Congress has placed it to the courts."

While we have no dispute with the proposition of law recited by opposer, we believe that this and other cases are simply not apposite. That is, this is not a case where there is primary jurisdiction in the Office or where administrative remedies must be exhausted before review. Rather, a party is free to pursue any action in federal court under the Lanham Act while at the same time seeking to register or to block registration in the Office. To the extent that the proceedings are overlapping or to the extent that the civil case may finally resolve the matters before the Board, the Board exercises its discretion under Rule 2.117.

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[2]Indeed, in holding that the notice of opposition was not a charge of trademark infringement, the court pointed out that there is a distinction

> "between a proceeding to register and a proceeding to redress for infringement. In a proceeding to register the right to use the mark is not involved. (Citations omitted.) Moreover, in an infringement suit the damage involved is either threatened or actual. In a registration proceeding the possibility or probability of damage, or of misleading the public, is the matter considered in an opposition proceeding based on confusion in trade." 185 F.2d 713, 717.

As applicant has pointed out, it is the policy of the Board to suspend proceedings before it when a civil action may be dispositive of the issues involved, notwithstanding the fact that the Patent and Trademark Office proceeding was the first to be filed. See Tokaido v. Honda Associates, Inc, 179 USPQ 861 (TT & A Bd., 1963) and Whopper-Burger, Inc, v. Burger King Corporation, 171 USPQ 805 (TT & A Bd., 1971). Of course, the Patent and Trademark Office determination of applicant's right to register will not be binding on the federal court in a civil action involving applicant's right to use but a federal court's determination of common issues will be followed by this Office. See Tuvache, Inc, v. Emilio Pucci Perfumes International, Inc, 152 USPQ 574 (SD NY 1967). Therefore, a decision by the Board refusing registration to applicant would not be dispositive of applicant's right to use but a court's ruling on applicant's right to use will have a direct bearing on its right to register in the Office. See also American Heritage Life Insurance v. Heritage Life Insurance Company, 175 USPQ 433 (SD Tex., 1972).

As noted above, the question of likelihood of confusion is an issue in the federal suit, and that suit also involves applicant's attempt to cancel the registration pleaded by opposer herein. Since it appears, therefore, that a decision in the civil action will have direct bearing on the issues in this opposition proceeding, applicant's motion to suspend is granted. Accordingly, proceedings herein are suspended until final disposition of the civil case. No later than twenty

days thereafter, the interested party should call this case up for appropriate action.

/s/ Rany Simms
Rany Simms
Attorney Examiner
Trademark Trial and
Appeal Board

Order Denying Defendant's Motion to Dismiss for Lack of Jurisdiction, Dated April 24, 1979.

United States District Court, Central District of California.

Chesebrough-Pond's Inc., a corporation, Plaintiff, v. Faberge, Incorporated, a corporation, Defendant.

Civil Action No. 78-3990 WPG.

Filed: April 24, 1979.

Defendant's original Motion to Dismiss came on regularly for hearing on Monday, February 26, 1979 before this Court. The Court having read and considered the pleadings on file in this action, the memoranda submitted by the parties and the argument of counsel, orally ruled that the Court had subject matter jurisdiction over the action and denied defendant's Motion to Dismiss. However, at the same hearing, the Court stated that it would stay this action pending a final determination by the Trademark Trial and Appeal Board of Opposition No. 57,551.

Before the Court signed the written order concerning the hearing held on February 26, 1979, plaintiff, Chesebrough-Pond's Inc., brought on for hearing on April 16, 1979, its Motion for Reconsideration of that part of the Court's decision ordering a stay of proceedings. The Court having read and considered the pleadings on file in this action, memoranda and affidavits submitted by the parties and the argument by counsel and good cause appearing therefor;

IT IS HEREBY ORDERED:

1. This Court has subject matter jurisdiction over the action and therefore defendant's Motion to Dismiss is denied.

2. Plaintiff's Motion for Reconsideration is granted and the order granting a stay of these proceedings pending a

final determination by the Trademark Trial and Appeal Board of Opposition No. 57,551, is vacated.

DATED: April 24, 1979.

/s/ WILLIAM P. GRAY
UNITED STATES DISTRICT JUDGE

Submitted By
HARRIS, KERN, WALLEN & TINSLEY
By /s/ Richard A. Wallen
Richard A. Wallen
Attorneys for Plaintiff

CERTIFICATE OF SERVICE

It is hereby certified that I am employed in the offices of HARRIS, KERN, WALLEN & TINSLEY as secretary to Richard A. Wallen, who is a member of the Bar of the Central District of California, at whose direction this service is made, and that a copy of ORDER DENYING DEFENDANT'S MOTION TO DISMISS FOR LACK OF JURISDICTION was sent by first class mail, postage prepaid, to the defendant's attorneys addressed as follows:

Christina A. Snyder, Esq.
Wyman, Bautzer, Rothman & Kuchel
2049 Century Park East, 14th Floor
Los Angeles, California 90067

Dated: April 20, 1979 at Los Angeles, California.

/s/ Patricia B. Normington
PATRICIA B. NORMINGTON

Order Suspending Injunction Pending Appeal, Entered October 16, 1980.

In the United States District Court, Central District of California.

Chesebrough-Pond's Inc., a corporation, Plaintiff, v. Faberge, Incorporated, a corporation, Defendant.

Faberge, Incorporated, a corporation, Counterclaimant, v. Chesebrough-Pond's Inc., a corporation, Counter-defendant.

Civil Action No. 78-3990 WPG.

Entered: October 16, 1980.

Defendant Faberge's APPLICATION TO SUSPEND INJUNCTION PENDING APPEAL came on regularly for hearing before this Court on September 22, 1980. Plaintiff, Chesebrough, appeared at said hearing through its counsel of record, Richard A. Wallen, and Defendant, Faberge, the moving party, appeared through its counsel of record William K. Rieber. The parties presented their respective arguments, written and oral, supporting and opposing said motion and the Court having duly considered said arguments and being fully advised in the premises hereby rules as follows.

The Court adheres to its Findings of Fact and Conclusions of Law heretofore entered herein and to the Final Summary Judgment issued thereon. However, the Court now believes that insofar as the injunctive provisions of said judgment prevent or purport to prevent Faberge from applying to the Trademark Trial and Appeal Board of the United States Patent and Trademark Office to reinstate the presently suspended opposition proceedings therein, and continue prosecuting said opposition, this court should defer to the Patent and Trademark Office tribunal, which has primary jurisdiction over such matters.

Accordingly it is hereby ORDERED AND ADJUDGED that

The injunctive provisions of the final Judgment herein executed January 30, 1980 which enjoin Faberge from opposing registration of the mark MATCH, to wit, those included in paragraph 6(b) of said Judgment, are hereby stayed pending a final determination of *Faberge Incorporated, Appellant, v. Chesebrough-Pond's, Inc., Appellee*, Appeal No. 80-5117 in the United States Court of Appeals for the Ninth Circuit, or until further order of this Court.

Dated: October 15, 1980.

/s/ WILLIAM P. GRAY
United States District Judge

Presented By:
WILLIAM K. RIEBER
Original signed by
WILLIAM K. RIEBER
Attorney for Defendant

Disapproved as to Form
3:30 p.m. Sept. 23, 1980
/s/ Richard A. Wallen
Richard A. Wallen
Attorney for Plaintiff

Decision of the Trademark Trial and Appeal Board Dated March 5, 1981.

[Letterhead]

Opposition No. 57,551. Faberge, Incorporated v. Chesebrough-Pond's Inc.

Mailed: March 5, 1981.

This case now comes up on opposer's motion to lift the suspension of this proceeding which was suspended pending the outcome of a federal suit involving the parties. Applicant has opposed the motion and opposer has filed a reply brief.[1]

Applicant brought suit against opposer in the United States District Court for the Central District of California. Among other things, applicant sought a declaratory judgment that there was no trademark infringement, unfair competition or dilution as a result of use by applicant of the mark "MATCH" with respect to any rights which opposer may have in the term "MACHO". Inasmuch as the question of likelihood of confusion was an issue in the federal suit and since that action also involved applicant's attempt to cancel the registration pleaded by opposer, the Board suspended proceedings herein pending the outcome of the federal litigation.[2]

The district court granted applicant's request for declaratory judgment on January 31, 1980. The court held that applicant's mark "MATCH" does not infringe opposer's mark "MACHO". Opposer has appealed that decision to the Court of Appeals for the Ninth Circuit on the ground

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[1]Applicant has moved to strike opposer's reply brief on the ground that there is no provision for the filing of a reply brief on motions. In view of the circumstances set forth in applicant's motion and since opposer has not objected, the motion is granted to the extent that the Board has not considered the remarks made in opposer's reply brief.

[2]Applicant's attempt to cancel the registration in the civil action has apparently been dropped.

that, among other things, the court lacked jurisdiction because there was no justiciable controversy on which to predicate a declaratory judgment action.

It is opposer's position that this opposition proceeding involves issues which are not before the court in the civil case. More particularly, opposer states that it will show that applicant has discontinued use of the mark for which registration is sought after initial, token use, so that applicant's mark has become abandoned. While the district court initially enjoined opposer from contesting applicant's right to register in this proceeding, on motion this injunction was suspended pending appeal.[3]

In opposition to the motion, applicant contends that the reasons for suspension are as applicable today as they were when the decision concerning suspension was before the Board. In addition, applicant contends that the question of abandonment has not been pleaded by opposer in this proceeding and that, in any event, if the Court of Appeals affirms the lower court on the question of likelihood of confusion, then opposer herein will not have standing on which to raise the issue of abandonment. Finally, applicant states that the issue of abandonment of applicant's mark has been raised by opposer on appeal.

Applicant's points are well taken. We remain convinced that it is better practice to maintain the suspension of this proceeding because the final determination in the civil action may well be dispositive of this opposition proceeding. After

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[3]Opposer argues that "it is clear that the District Court concedes that this Board should adjudicate those issues which were not before the District Court in California and over which this Board, and not the District Court, has jurisdiction." As applicant has pointed out, the District Court merely indicated that the question of resumption of proceedings should be left to this Office.

such final determination, the Board will consider the effect of the disposition of that case upon this proceeding.

Accordingly, opposer's motion to lift the suspension of this proceeding is denied. Proceedings herein remain suspended pending final determination of the civil action. Within twenty days after the final determination thereof, the interested party should call up this opposition proceeding for appropriate action.

/s/ Rany L. Simms
Rany L. Simms
Acting Member, Trademark
Trial and Appeal Board

Letter From the Clerk of the Court, Dated July 9, 1982.

[Letterhead]

July 9, 1982

Richard A. Wallen, Esq.
Harris, Kern, Wallen & Tinsley
Quinby Building, Top Floor
650 South Grand Avenue
Los Angeles, California 90017

RE: *Faberge, Incorporated v. Chesebrough-Pond's, Inc.*
No. 81-2303

Dear Mr. Wallen:

Your request of July 7, 1982 for an extension of time within which to file a response to the petition for a writ of certiorari in the above-entitled case has been granted, but your time has been extended only to and including August 6, 1982.

No further request for an extension of time will be entertained by the Clerk.

Very truly yours,
ALEXANDER L. STEVAS, Clerk
By /s/ Francis J. Lorson
Francis J. Lorson
Chief Deputy Clerk

rjb
cc: William K. Rieber, Esq.